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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

3086 FEDERAL OFFICE BUILDING, 909 FIRST AVENUE
SEATTLE, WASHINGTON 98104

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JAN 22 1973

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Mr. Edwin F. Sullivan
Regional Director, Pacific Northwest Region
U.S. Bureau of Reclamation AGC00076
Department of the Interior AGC00033
Box 043 - 550 West Fort Street
Boise, ID 83702



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Dear Mr. Sullivan:

DLG 00465

We have completed our review of the Bureau of Reclamation project financial statements included in the Federal Columbia River Power System (FCRPS) for the fiscal year ended June 30, 1972. Our review was directed toward determining the reasonableness and propriety of project financial statements submitted to Bonneville Power Administration (BPA) for inclusion in the fiscal year 1972 FCRPS consolidated statements. We included such tests of financial procedures and controls as we deemed appropriate.

We are pleased to report most procedures and controls were found to be adequate. We did note, however, a need to improve the procedures for determining irrigation assistance required from commercial power revenues for both power generating and nonpower projects. Irrigation assistance required from power revenues is the difference between irrigation investment and realized repayment contracts and other credits. Only actual costs at fiscal yearend should be included in irrigation investment.

For power generating projects, irrigation assistance was overstated by \$1,794,000. This was the result of understating water users' repayment contracts by \$2,045,000 and understating repayable costs by \$251,000. For nonpower projects, irrigation assistance required from power revenues was overstated by \$685,000, primarily because estimated future costs were included in repayable costs as of June 30, 1972. The Division of Finance corrected the above errors and submitted revised statements to BPA. To prevent similar errors, your staff amended its procedures for determining irrigation assistance.

Your staff also revised Schedule A--Amount and Allocation of Plant Investment--for the Columbia Basin and Minidoka-Palisades projects. The Columbia Basin schedule was revised to correct a \$3,518,000

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Mr. Edwin F. Sullivan

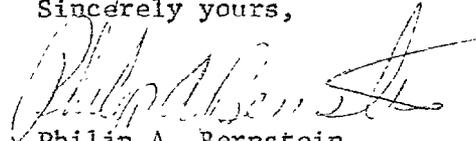
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duplication of construction work in progress in the Third Powerplant account. The Minidoka-Palisades schedule was revised due to an error in the allocation of joint property costs. In the revised schedule, investment allocated to flood control was increased by \$31,000 and plant allocated to recreation was decreased by a like amount. Methods to prevent computation errors of these types were discussed with Division of Finance officials.

A copy of this letter is being sent to the Director, Office of Survey and Review, Department of the Interior. AGC00033

We appreciate the courtesy and cooperation given our representatives during this review.

Sincerely yours,



Philip A. Bernstein
Regional Manager

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